

CLAUSE I-66 – INSPECTION OF SUPPLIES - FIXED-PRICE (August 2002)

- (a) Definition. "Supplies," as used in this clause, includes but is not limited to raw materials, components, intermediate assemblies, end products, and lots of supplies.
- (b) The Subcontractor shall provide and maintain an inspection system acceptable to SURA covering supplies under this subcontract and shall tender to SURA for acceptance only supplies that have been inspected in accordance with the inspection system and have been found by the Subcontractor to be in conformity with subcontract requirements. As part of the system, the Subcontractor shall prepare records evidencing all inspections made under the system and the outcome. These records shall be kept complete and made available to SURA during subcontract performance and for as long afterwards as the subcontract requires. SURA may perform reviews and evaluations as reasonably necessary to ascertain compliance with this paragraph. These reviews and evaluations shall be conducted in a manner that will not unduly delay the subcontract work. The right of review, whether exercised or not, does not relieve the Subcontractor of the obligations under the subcontract.
- (c) SURA has the right to inspect and test all supplies called for by the subcontract, to the extent practicable, at all places and times, including the period of manufacture, and in any event before acceptance. SURA shall perform inspections and tests in a manner that will not unduly delay the work. SURA assumes no contractual obligation to perform any inspection and test for the benefit of the Subcontractor unless specifically set forth elsewhere in this subcontract.
- (d) If SURA performs inspection or test on the premises of the Subcontractor or a lower-tier subcontractor, the Subcontractor shall furnish, and shall require lower-tier subcontractors to furnish, without additional charge, all reasonable facilities and assistance for the safe and convenient performance of these duties. Except as otherwise provided in the subcontract, SURA shall bear the expense of SURA inspections or tests made at other than the Subcontractor's or lower-tier subcontractor's premises; provided, that in case of rejection, SURA shall not be liable for any reduction in the value of inspection or test samples.
- (e)
  - (1) When supplies are not ready at the time specified by the Subcontractor for inspection or test, the Subcontracting Officer may charge to the Subcontractor the additional cost of inspection or test.
  - (2) The Subcontracting Officer may also charge the Subcontractor for any additional cost of inspection or test when prior rejection makes reinspection or retest necessary.
- (f) SURA has the right either to reject or to require correction of nonconforming supplies. Supplies are nonconforming when they are defective in material or workmanship or are otherwise not in conformity with subcontract requirements. SURA may reject nonconforming supplies with or without disposition instructions.
- (g) The Subcontractor shall remove supplies rejected or required to be corrected. However, the Subcontracting Officer may require or permit correction in place, promptly after notice, by and at the expense of the Subcontractor. The Subcontractor shall not tender for acceptance corrected or rejected supplies without disclosing the former rejection or requirement for correction, and, when required, shall disclose the corrective action taken.
- (h) If the Subcontractor fails to promptly remove, replace, or correct rejected supplies that are required to be removed or to be replaced or corrected, SURA may either –
  - (1) By subcontract or otherwise, remove, replace, or correct the supplies and charge the cost to the Subcontractor or
  - (2) Terminate the subcontract for default. Unless the Subcontractor corrects or replaces the supplies within the delivery schedule, the Subcontracting Officer may require their delivery and make an equitable price reduction. Failure to agree to a price reduction shall be a dispute.
- (i)
  - (1) If this subcontract provides for the performance of SURA quality assurance at source, and if requested by SURA, the Subcontractor shall furnish advance notification of the time (i) when Subcontractor inspection or tests will be performed in accordance with the terms and conditions of the subcontract and (ii) when the supplies will be ready for SURA inspection.
  - (2) SURA's request shall specify the period and method of the advance notification and the SURA representative to whom it shall be furnished. Requests shall not require more than 2 workdays of advance notification if SURA's representative is in residence in the Subcontractor's plant, nor more than 7 workdays in other instances.
- (j) SURA shall accept or reject supplies as promptly as practicable after delivery, unless otherwise provided in the subcontract. SURA's failure to inspect and accept or reject the supplies shall not relieve the Subcontractor from responsibility, nor impose liability on SURA, for nonconforming supplies.

- (k) Inspections and tests by SURA do not relieve the Subcontractor of responsibility for defects or other failures to meet subcontract requirements discovered before acceptance. Acceptance shall be conclusive, except for latent defects, fraud, gross mistakes amounting to fraud, or as otherwise provided in the subcontract.
- (l) If acceptance is not conclusive for any of the reasons in paragraph (k) hereof, SURA, in addition to any other rights and remedies provided by law, or under other provisions of this subcontract, shall have the right to require the Subcontractor –
  - (1) At no increase in subcontract price, to correct or replace the defective or nonconforming supplies at the original point of delivery or at the Subcontractor's plant at the Subcontracting Officer's election, and in accordance with a reasonable delivery schedule as may be agreed upon between the Subcontractor and the Subcontracting Officer; provided, that the Subcontracting Officer may require a reduction in subcontract price if the Subcontractor fails to meet such delivery schedule, or
  - (2) Within a reasonable time after receipt by the Subcontractor of notice of defects or nonconformance, to repay such portion of the subcontract as is equitable under the circumstances if the Subcontracting Officer elects not to require correction or replacement. When supplies are returned to the Subcontractor, the Subcontractor shall bear the transportation cost from the original point of delivery to the Subcontractor's plant and return to the original point when that point is not the Subcontractor's plant. If the Subcontractor fails to perform or act as required in (1) or (2) above and does not cure such failure within a period of 10 days (or such longer period as the Subcontracting Officer may authorize in writing) after receipt of notice from the Subcontracting Officer specifying such failure, SURA shall have the right by subcontract or otherwise to replace or correct such supplies and charge to the Subcontractor the cost occasioned SURA thereby.